

Message Text

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PAGE 01 TEHRAN 10960 310540Z

17

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01

PA-01 PRS-01 USIA-06 /105 W
----- 022657

R 301253Z DEC 74

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 9592

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

MARAD WASHDC

USINT BAGHDAD

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E.O. 11652: N/A

TAGS: ENRG, IR

SUBJ: ANNOUNCEMENT OF U.S./BELGIAN/IRANIAN LNG PROJECT.

REVIEW OF GAS PROJECTS

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PAGE 02 TEHRAN 10960 310540Z

REF: A) TEHRAN 9033 B) TEHRAN 8346 C) TEHRAN 7598 D) TEHRAN

7510 E) TEHRAN 5536 F) TEHRAN A-183 (DEC. 23, 1974)

G) TEHRAN A-140 (OCT. 6, 1974) H) LONDON 12996

1. SUMMARY: NIGC ANNOUNCED SIGNING LETTERS OF INTENT WITH EL PASO (U.S.) AND SOPEX AND DISTRIGAZ (BELGIUM) TO PARTICIPATE IN WHAT WE BELIEVE IS TO BE WORLD'S LARGEST LNG PROJECT TO DATE. GOI/ALGERIAN COOPERATION ON GAS PRICES DOES NOT APPEAR TO HAVE DEVELOPED SIGNIFICANTLY. KALINGAS LNG PROJECT CONTINUES ON TRACK, AND TRIPARTITE IRAN/FRG/USSR "SWITCH DEAL" HAS ADVANCED SOME AS RESULT OF RECENT MEETING IN W. GERMANY. ACTION REQUESTED: NIGC REQUESTED WE ASK DEPT. WHETHER AN U.S. LAWS OR REGUALTIONS WOULD PREVENT NIGC FROM PARTICIPATING IN FACILITIES TO REGASIFY LNG IN THE U.S. END SUMMARY.

2. BEGIN UNCLASSIFIED: TEHRAN ENGLISH LANGUAGE DAILIES DEC. 29 REPORT NIGC HAS SIGNED LETTERS OF INTENT FOR AN LNG JOINT VENTURE NATURAL GAS WITH EL PASO OF THE U.S. AND SOPEX AND DIS-TRIGAZ OF BELGIUM. (THE THREE FOREIGN FIRMS HAD SIGNED THE LETTERS SOME MONTHS AGO AND LEFT THEM WITH NIGC. DELAY IN NIGC SIGNING DUE TO INTERNAL NIGC-NIOC PROBLEMS - SEE BELOW). JOINT VENTURE WOULD BE 50-50 AND WOULD COST AN EXTIMATED DOLS\$5.9 BILLION FOR FATHERING, LIQUEFACTION AND LOADING FACILITIES IN IRAN, PLUS 34-35 RPT 34 OR 35 LNG TANKERS OF 110,000 CU. METER CAPACITY OR THEIR EQUIVALENT. INITIAL CAPACITY WOULD BE 2 RPT 2 BILLION STANDARD CUBIC FEET PER DAY (SCF/D), POSSIBLY RISING TO AS MUCH AS 3 BILLION SCF/D, MAKING THIS PERHAPS THE LARGEST LNG PROJECT IN THE WORLD. FINAL DECISIONS NOT YET MADE ON SOURCES OF GAS FOR THE PROJECT. END UNCLASSIFIED.

3. NIGC PLANNING DIRECTOR SHIRAZI, IN DEC. 18 CONVERSATION WITH EMBOFF, PROVIDED ADDITIONAL DETAIL ON PROJECT AND STAGES THROUGH WHICH IT MUST PASS BEFORE FRUITION. SINCE GAS FOR PROJECT IS TO COME FROM OFFSHORE "C-STRUCTURE" AND/OR ONSHORE DISCOVERIES IN EGOCO AREA, DETAILED PLANNING MUST AWAIT CONFIRMATION OF RE-SERVES, WHICH MAY TAKE TWO TO TWO AND ONE HALF YEARS. MEANWHILE ECONOMIC/TECHNICAL FEASIBILITY STUDIES WILL BE COMMISSIONED. AFTER COMPLETION OF FEASIBILITY STUDIES AND FURTHER PROGRESS ON CONFIRMATION OF RESERVES, EL PASO MUST BEGIN TO TACKLE PROBLEM OF FPC APPROVAL, SINCE IDEA IS THAT LNG WILL GO 50-50 TO U.S. AND EUROPE. WHOLE PROJECT IS ALSO CONDITIONED, ACCORDING LIMITED OFFICIAL USE

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PAGE 03 TEHRAN 10960 310540Z

TO SHIRAZI, ON WHETHER SUEZ CANAL IS OPEN AND WHETHER CANAL AUTHORITIES WILL PERMIT LNG TRANSIT FOR REASONABLE FEES, AND MORE BROADLY, ON "WORLD ECONOMIC AND POLITICAL CONDITIONS." IF ALL THE ABOVE CONSIDERATIONS INDICATE THE PROJECT CAN BE SUCCESSFUL, NIGC AND THE THREE FOREIGN FIRMS CAN NEGOTIATE A CONTRACT WHICH WOULD BE SUBJECT TO APPROVAL OF THE NIOC BOARD OF DIRECTORS AND OF THE COUNCIL OF MINISTERS. PROJECT WOULD BE FINANCED ON 90-10 DEBT-EQUITY RATION. MOST LIKELY, TWO COMPANIES

WOULD BE FORMED: AN IRANIAN JOINT VENTURE TO LIQUIFY THE GAS AND A JOINT VENTURE OF ANOTHER NATIONALITY TO OWN THE LNG TANKERS AND TRANSPORT THE GAS.

4. SHIRAZI AND OTHER SOURCES INDICATED LETTERS OF INTENT WITH EL PASO/SOPEX/DISTRIGAZ WOULD HAVE BEEN SIGNED MUCH EARLIER BUT FOR LEGAL PROBLEMS INVOLVING THE NEW PETROLEUM LAW, WHICH AMONG OTHER THINGS LIMITS SUCH JOINT VENTURES TO 15 YEARS DURATION. (REF G) NIGC AND NIOC LAWYERS WRANGLLED ENDLESSLY OVER QUESTIONS OF DURATION OF THE AGREEMENT AND WORDING OF THE LETTERS OF INTENT IN REGARD TO PRICING. ONE SOURCE TOLD AMBASSADOR SHORTLY BEFORE HIS DEPARTURE THAT SHAH VERY MUCH WANTS THIS PROJECT TO GO FORWARD AND WANTS TO SELL LNG TO U.S., AND THAT NEW PETROLEUM LAW WILL BE MODIFIED IF NECESSARY.

5. ON SUBJECT OF COOPERATION ON PRICING BETWEEN IRAN, ALGERIA AND OTHER POTENTIAL GAS EXPORTERS, SHIRAZI SAID AS FAR AS HE KNOWS THERE HAS BEEN ONLY ONE ACT IN THE PLAY. GOI OPEC REP AMOUZEGAR PASSED DOWN AN INVITATION FROM ALGERIANS THAT GOI SEND A REPRESENTATIVE TO DISCUSS PRICE COORDINATION. INVITATION DRIFTED DOWN TO SHIRAZI, WHO VISITED ALGERIA LAST SEPTEMBER. SHIRAZI SAID HIS TALKS THERE TENDED TO CONFIRM HIS OPINION THAT TECHNICAL AND ECONOMIC ASPECTS OF LNG PROJECTS IN NORTH AFRICA ARE SO DIFFERENT FROM THOSE OF PERSIAN GULF LNG PROJECTS THAT THERE IS LITTLE BASIS FOR COOPERATION, AT LEAST AT THIS TIME. SHIRAZI SAYS NO ALGERIAN LNG DELEGATION HAS VISITED IRAN AND EXPECTS NO EARLY DEVELOPMENTS IN THIS FIELD.

6. SHIRAZI SAID THERE WAS "SOME PROGRESS" IN IRANIAN/W. GERMAN/ USSR TALKS IN GERMANY ON TRIPARTITE GAS DEAL: IRANIANS AND W. GERMANS MOVED CLOSER TO COMPROMISE ON PRICE OF GAS, BUT GERMANS AND SOVIETS STILL FAR APART ON IMPUTED TRANSIT FEES. KALINGAS PROJECT AT PRESENT IS ESSENTIALLY HOLDING ACTION. KALINGAS HAS LIMITED OFFICIAL USE

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PAGE 04 TEHRAN 10960 310540Z

OBTAINED ONE OFFSHORE RIG TO BEGIN DRILLING ONE WELL IN MID-1975. CONFIRMATION PROGRAM ON C-STRUCTURE WILL REQUIRE AT LEAST ONE AND POSSIBLY TWO ADDITIONAL WELLS. KALINGAS NOW PLANS TO BEGIN WITH FOUR 200-MILLION SCF/D TRAINS, WITH TOTAL PRODUCT OF FIRST STAGE TO BE SHIPPED TO JAPAN IN 10 (TEN) VESSELS OF 125,000 CU. METER CAPACITY. TARGET DATE IS 1979-1980, WITH 1980 MORE LIKELY. KALINGAS JOINT VENTURE AGREEMENT WOULD ALLOW EVENTUAL TOTAL OF 1.6 BILLION SCF/D. KALINGAS WILL DECIDE LATER HOW MUCH TO EXPAND AND WHETHER TO TACKLE PROBLEM OF FPC APPROVAL FOR EXPORTS TO THE U.S. MARKET. NEW NORWEGIAN MANAGER OF KALINGAS, EMIL GAMBORG OF HALFDAN DITTELY-SIMONSEN, TOLD EMBOFF HIS THINKING IS THAT SHIPYARDS AROUND WORLD WILL BE BEGGING FOR ORDERS BY SOMETIME IN 1976, AND THAT KALINGAS GROUP CAN THEN BEGIN ITS SHOPPING FOR LNG CARRIERS.

MIKLOS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATURAL GAS, PETROLEUM INDUSTRY, PROGRESS REPORTS, EXPLORATORY DRILLING
Control Number: n/a
Copy: SINGLE
Draft Date: 30 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TEHRAN10960
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740377-1098
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974123/aaaaacmv.tel
Line Count: 169
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 74 TEHRAN 9033, 74 TEHRAN 8346, 74 TEHRAN 7598
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2002 by boyleja>; APPROVED <30 DEC 2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANNOUNCEMENT OF U.S./BELGIAN/IRANIAN LNG PROJECT. REVIEW OF GAS PROJECTS
TAGS: ENRG, IR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005